

Message Text

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FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC 9876

INFO AMEMBASSY BRIDGETOWN

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AMEMBASSY LONDON

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C O N F I D E N T I A L GEORGETOWN 01026

E.O. 11652: GDS

TAGS: ETRD, EIND, GY

SUBJECT: PRIME MINISTER EXPECTS SUGAR COMPANIES TO SWALLOW TAX:
CLAIMS RICE CROP EXCELLENT

REF: GEORGETOWN 0653

1. SUMMARY: PM BURNHAM TOLD ME THE TWO BRITISH CONTROLLED COMPANIES GROWING, MILLING AND EXPORTING GUYANA'S SUGAR HAVE NO CHOICE BUT TO ACCEPT THE NEW EXPORT TAX, AND THAT HE EXPECTED THEM TO SWALLOW IT WITHOUT TOO MUCH TROUBLE. HE CLAIMED THAT THIS SPRING RICE CROP IS EXCELLENT, AND THAT RUMORS OF A POOR HARVEST ARE POLITICAL PROPAGANDA SPURRED ON BY LOCAL SPECULATORS. WE HAVE NO INDICATION OF ANY RETALIATORY ACTION TO THE TAX PLANNED BY THE SUGAR COMPANIES, THOUGH THE GUYANA RICE BOARD'S PUBLISHED FIGURES OF RECORD CROP CONTRAST WITH MYCH MORE PESSIMISTIC EARLIER FIGURES FROM INDUSTRY SOURCES. END SUMMARY.

2. DURING CONVERSATION JUNE 17 WITH PRIME MINISTER BURNHAM, I ASKED HIM HOW THE SUGAR COMPANIES WERE REACTING TO THE NEW EXPORT TAX(REFTEL).; HE SAID THEY NATURALLY DID NOT LIKE IT, BUT THERE WAS NOTHING THEY COULD DO OTHER THAN PAY, AND ADDED THAT THEY
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WOULD STILL DO WELL ENOUGH. ASIDE FROM A MUCH SMALLER BUT STILL

SIGNIFICANT PROFIT ON THE EXPORTS THEMSELVES, THEY MADE SIGNIFICANT SUMS ON BROKERAGE, SUPPLY OF EQUIPMENT TO LOCAL SUBSIDIARIES, AND RELATED ACTIVITIES. HE CLAIMED THE BRITISH-CONTROLLED COMPANIES, AND SPECIFICALLY BOOKERS, WERE BETTER OFF HERE THAN IN KEYNA AND NIGERIA, SINCE IN GUYANA THEY STILL HAVE THEIR ESTATES.

3. I MENTIONED WE HAD HEARD RUMORS OF A POOR RICE CROP DESPITE ANNOUNCEMENT BY THE GUYANA RICE BOARD JUNE 15 THAT THE SPRING HARVEST HAD BEEN A RECORD 43,500 LONG TONS. PM DISMISSED CONTRARY RUMORS AS PROPAGANDA BY POLITICAL OPPONENTS WHICH WERE UNFORTUNATELY REINFORCED BY SPECULATORS HOARDING RICE AT RETAIL LEVEL TO DRIVE UP PRICE. HE CITED EXAMPLE OF "BLACKMARKET" PRICING, AND STATED THAT RICE BOARD (WHICH BUYS ENTIRE CROP AND SUPPLIES WHOLESALERS AND SOME RETAILERS), WOULD SIMPLY BE INSTRUCTED TO STOP SUPPLYING SUCH SPECULATORS. HE ASKED ME WHETHER THE RICE SILOS CONSTRUCTED UNDER USAID PROGRAM WERE BEING USED. BASED ON RECENT TRIP, I GAVE MY AFFIRMATIVE IMPRESSION, WHICH HE SEEMED TO GREET WITH SOME SATISFACTION.

3. COMMENT: PM'S IMPRESSION THAT THE SUGAR COMPANIES WERE ACCEPTING THE EXPORT TAX AS BITTER BUT NOT INDIGESTIBLE PILL COINCIDES WITH OUR IMPRESSION FROM LOCAL SUGAR SOURCES. BURNHAM'S COMMENT COMPARING BOOKERS HERE WITH KEYNA AND NIGERIA SEEMS ACCURATE ONLY TO EXTENT OF EQUITY SHARE, NOT PROFITS, WE ARE UNCERTAIN AS TO WHETHER THE GUYANA RICE BOARD HAS DELIBERATELY INFLATED THE RICE CROP FIGURES, SINCE THE PUBLISHED 43,500 TONS HARVEST FIGURE IS AROUND 50 PERCENT HIGHER THAN FIGURES WE HAD OBTAINED INFORMALLY FROM RICE BOARD SOURCES OVER THE PAST SEVERAL WEEKS. KREBS

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